

# Delegated decision report

## DECISION UNDER DELEGATED POWERS

**DECISION CANNOT BE TAKEN BEFORE WEDNESDAY, 1 AUGUST 2012**

Title	<b>PROPOSED AUCTION SALE OF WOODINGTON, UNDERCLIFF DRIVE, ST LAWRENCE</b>
Report to	<b>THE DEPUTY LEADER AND CABINET MEMBER FOR THE ECONOMY AND THE ENVIRONMENT</b>

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### EXECUTIVE SUMMARY

1. To approve the disposal of the council's freehold interest in Woodington, via auction at a reserve price as detailed in the confidential appendix.
2. The outcome will be a capital receipt from this disposal towards the annual capital receipts target as set out in the council's medium term financial plan and in accordance with the council's strategic asset management plan.

### CONFIDENTIAL/EXEMPT ITEMS

3. Appendix B is confidential and is exempt by virtue of Paragraph 3 of Part 1 of Section 12A of the Local Government Act 1972 because it "relates to financial or business affairs of any particular person". In this case it comprises the reserve price which, if made public at this stage of the disposal exercise may prejudice the eventual sale.

### BACKGROUND

4. Woodington is a detached house of stone construction located on Undercliff Drive, St Lawrence. The accommodation comprises five bedrooms, four reception rooms plus a kitchen and two bathrooms. Externally there are substantial gardens, a driveway and a three bay open garage. Although occupied until recently, the property is in need of general upgrading and modernisation.
5. The property was acquired, ahead of a proposed compulsory purchase order, by the council in 2006 to facilitate the proposed Undercliff Drive carriageway re-alignment. The property was not compulsorily purchased but was acquired through negotiation with the previous owners.
6. Since its purchase the property has been let as residential accommodation by the council's housing services team. However, the isolated location, size and condition of the property are now considered in-appropriate for continued economical use by housing services, and the property is deemed surplus to requirements.

7. On receipt of vacant possession, marketing advice was sought from local estate agents and this resulted in recommendations of an asking price ranging from £100,000 to £400,000 depending on each agents opinion of the current condition of the property, the state of the market for properties in this location, taking in to account the possibility of land movement, and whether in their opinion buildings insurance and subsequently a mortgage could be secured against it. The major concern of each agent being that due to the history of land movement in the immediate area insurers will be reluctant to provide buildings insurance cover for the property. This will therefore limit potential purchasers to only those with their funding readily available and not requiring a mortgage.
8. In view of this likely limited market for purchasers it is considered important to advertise the property as widely as possible and one recommendation is to offer the property for sale via private treaty and auction jointly through a local agent and a regional property auction house. An auction company has now had an opportunity of inspecting the property and has advised that an auction sale is the best way of disposing of such a property. Its recommendation is to offer the property for auction with a guide price of £280,000 - £300,000 and a reserve auction price as detailed in the confidential appendix.
9. If this recommended auction route is approved the property will initially be marketed via private treaty prior to the recommended auction date, and then by auction with an advertising campaign run through both the Island agent and the south coast auctioneers. This will include adverts in the County Press, through the agents and auctioneers websites and through the auctioneer's catalogue distributed widely across southern England.
10. Another benefit of the auction process is that as all the sale documents are prepared prior to the auction, if an offer is received at the auction at or above the reserve price then at the drop of the auction hammer the purchaser will be committed and the sale will be binding.

## STRATEGIC CONTEXT

11. In December 2010 the council's cabinet agreed the future shape and direction of the organisation of which one of the key principles is that, "the council will actively seek to sell or dispose of assets that are surplus to requirements where practicable to maximise capital receipts, or lease them where it is not".
12. The disposal of such a council asset will contribute towards a number of the Isle of Wight Council's key corporate objectives, as detailed in the Corporate Plan for 2011-2013.
  - Delivery of budget savings through changed service provision: delivering services in different ways will allow the release of council buildings, thereby creating significant savings of accommodation and maintenance costs, as well as generating capital receipts.
  - Regeneration and the economy: seeking the best quality use of surplus/disused property assets may ensure high quality regeneration opportunities are realised.
13. The disposal is identified in the strategic asset management plan approved in 2011.

14. If this property is disposed of it will release a capital receipt into the council's corporate account as part of the annual capital receipts target.

### CONSULTATION

15. There has been no public consultation in respect of this proposed transaction.

### FINANCIAL / BUDGET IMPLICATIONS

16. The council is currently liable for all outgoings in respect of the site such as council tax and insurance plus any ongoing maintenance liabilities. It is therefore in the council's best interest to dispose of the property as soon as possible. Any revenue budget savings arising from disposal of this site will contribute to the council's savings target for accommodation costs.
17. The property was purchased by the council in December 2006 for a total cost of £483,943.06. Due to the depreciation of the building since acquisition it is currently held in the council's accounts at a book value of £456,377. It is likely therefore that there will be a significant shortfall between the final auction price and the price paid for the property.
18. If the recommendation made within this report is adopted and the property sells at auction the council will benefit from a capital receipt of at least the reserve price, (figure stated in confidential appendix).

### LEGAL IMPLICATIONS

19. The council holds the site on a freehold basis.
20. If the site is sold, the council will have no further interest in, or liabilities with regard to, the property.
21. The council has the ability to dispose of property under Section 123 of the Local Government Act 1972 for best consideration.
22. Due to the way a property auction works the sale is binding at the drop of the auction hammer when a contract is formed between the successful bidder and the seller (IWC). It is therefore essential all legal documentation is prepared in advance of the auction as well as any necessary council sign-offs which is the reason for this report at this stage (the legal package has been prepared). It is intended that the property will be entered into an auction on 17 September 2012 and the closing date for entries into this auction is 14 August 2012.

### CARBON EMISSIONS

23. The disposal of this property will not have any impact on the council's carbon footprint or number of carbon allowances.

### PROPERTY IMPLICATIONS

24. It is considered that property implications are adequately covered within the main body of this report.

## EQUALITY AND DIVERSITY

25. The council as a public body is subject to general and specific duties under equality and diversity legislation and as such has a duty to impact assess its service, policies/strategies and decisions with regards to diversity legislation and the nine “protected characteristics (race, gender reassignment, disability, age, sex and sexual orientation, religion or belief, pregnancy and maternity, marriage and civil partnership).
26. A stage 1 equality impact assessment initial screening form has been completed (available as a background paper); this has not identified any negative impacts from this proposal (the previous tenants chose to move and have been re-housed). This report, therefore, considers that none of the identified groups are likely to be adversely affected by this decision.

## SECTION 17 CRIME AND DISORDER ACT 1998

27. There are not believed to be any specific crime and disorder issues, other than vacant properties can be prone to vandalism and it is therefore in the council's best interest to dispose of the site as soon as possible so that the proposed purchaser can make the site secure.

## OPTIONS

28. Options have been considered in respect of this property as follows:
  - (a) To sell the property as detailed in the report at a reserve auction price as detailed in the confidential appendix.
  - (b) To elect to sell the property through private treaty only.
  - (c) To retain ownership of the property, and use it for council purposes.
  - (d) To retain ownership of the property and lease it to a housing association.

## RISK MANAGEMENT

29. Option (a) represents limited risk to the council as it will follow a robust marketing route. Also, the legal pack has been completed in advance of the auction and if an offer is received at or above the reserve then at the close of the auction the sale will be binding.
30. There is a potential risk that the property will not sell at the auction in which case the council will be guided by the advice of the auctioneers and the marketing agents as to the most appropriate way forward. This will most likely be either a through a future sale by private treaty or through another, future auction. The council will be responsible for all holding costs for the property in the interim and will have lost the non refundable contribution of £300 towards auction expenses which has already been paid.
31. Option (b) comprises a higher risk as it is unlikely that a mortgage can be secured against the property, thus requiring a cash purchaser which will limit the potential market. It may mean that the property stays on the market for a long time and that ultimately low offers have to be considered.

32. Under option (c) the council's housing services team has surrendered its use of the property citing the fact that it is no longer economically viable as significant funds need to be invested into the building to bring it up to current occupation standards, but this would not solve the issue of its isolated location or its size. Retaining ownership would require a significant investment which cannot be justified, and therefore represents a high risk.
33. Under Option (d) it is considered that the current condition and layout of the accommodation as well as the isolated location of the property would make it of limited interest to a housing association. In addition if a new lease to a housing association was agreed the council would be exposed to the risk of ongoing landlord's obligations in a lease, plus the costs of management.

## EVALUATION

34. If the property is sold through auction the sale will be conducted in the public domain and the best price obtained at the point of auction. At the drop of the auction hammer the sale will be binding, it is therefore a potentially swift and effective route. It is also considered that the auction will likely attract a wider audience than a standard private treaty sale - a key factor for this property which may only be suitable for those purchasers with their funding readily available.
35. The availability of the site will be marketed widely through either option (a) or (b); however, the marketing coincides with a time of continued uncertainty within the property markets. In view of this and the likely difficulty of securing a mortgage against the property option (b) is considered less effective.
36. Option (c) would involve the council in considerable work and cost to meet the current backlog of repairs to the site and potentially achieve compliance with Equality Act requirements. One of the principal property objectives is "the council will actively seek to sell or dispose of assets that are surplus to requirements where practicable to maximise capital receipts, or lease them where it is not". This property is no longer needed by the council and its disposal is therefore consistent with this objective. Retaining the property for further corporate use is not advisable, due to the layout and condition of the site and building(s).
37. Option (d) would fail to achieve a capital receipt, would have ongoing revenue (and likely capital) cost implications and necessitate some level of landlord management input.
38. Option (a) is consistent with the council's policies in respect of surplus assets and is considered to provide the most effective disposal route at this time; it is therefore the recommended disposal path

## RECOMMENDATION

39. That the council adopts option (a)

"To sell the site as detailed in the report at a reserve auction price as detailed in the confidential appendix"

## APPENDICES ATTACHED

- 40. [APPENDIX A](#) - Site plan.
- 41. APPENDIX B – Confidential. (Exempt by virtue of Paragraph 3 of Part 1 of Section 12A of the Local Government Act 1972 because it “relates to financial or business affairs of any particular person”.)

## BACKGROUND PAPERS

- 42. Stage 1 Equality Impact Assessment.

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STUART LOVE  
Director Economy and Environment

COUNCILLOR GEORGE BROWN  
Deputy Leader and Cabinet Member for  
Economy and Environment

Decision

Signed

Date

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